

ORDER OF PROCEDURE

Mr. THOMAS. Mr. President, what we would like to do is allocate 15 minutes to the Republicans, 15 minutes to the Democrats, 15 minutes to the Republicans, and 15 minutes for the Democrats, for a total of 1 hour as in morning business.

Mr. REID. Reserving the right to object, on our side we ask that the ranking member of the Finance Committee go first on our time, and the ranking member of the Budget Committee go second on our time.

Mr. THOMAS. Following the hour, I will be recognized to lay down the bill.

The PRESIDING OFFICER. Is there objection?

Mr. REID. Mr. President, I think when the hour is up, we will just revisit what we are going to do.

Mr. THOMAS. I have no objection.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. THOMAS. I yield to the Senator from Arizona.

The PRESIDING OFFICER. The Senator from Arizona.

JOBS AND ECONOMIC GROWTH RECONCILIATION

Mr. KYL. Mr. President, this will be the beginning of the debate on the legislation the Senate will be considering this week on an economic growth and jobs package. The legislation that came out of the Senate Finance Committee will be debated, as will other proposals and amendments. That will all be laid down a little bit later, but actually we will begin the conversation right now.

I will begin by noting something rather political, and that is that over the weekend talk shows I noticed a lot of pundits talking about what was good for the economy and what was good for the President. It got me thinking a little bit about the difference between some of our colleagues on the Democratic side and most of us on the Republican side who support the President's proposals for economic growth and job creation.

The point is this: Those pundits were saying if the economy is in pretty good shape next year, the President should have a pretty good chance of being reelected, but if the economy is not good, then it will be more difficult for the President to be reelected. That is not exactly rocket science, but it makes the point that many of us on this side have been making: The President would not propose a package for economic growth and job creation he did not think was not going to work. The whole point of his package is to help get the economy growing, to create jobs so people will be in the mood to reelect him President.

Obviously he wants to do good for the country, for the people of this country, for the senior citizens, for the economy at large, for American families. If he can get reelected, that would be a good

thing. My point is that the President is not proposing something he thinks is going to be bad for the economy, because that would be the worst possible thing for him to do in terms of his reelection possibilities.

So it stands to reason that he really believes what he is proposing will work, and so do I. So do the majority of us. We would not be proposing this if it was not obvious to us that the best way to get the economy moving again, the best way for economic growth and job creation, is to reduce taxes in those areas of the economy which would provide the best economic growth with that tax relief.

We know, for example, that one of the best ways to get reinvestment is for people to have more of their money to invest, obviously. The best way for them to have more money is not to pay so much to Uncle Sam in taxes. That is what tax relief is all about.

Two years ago, we passed the tax relief President Bush suggested, but we phased it in over time. What the President is now proposing is, let's accelerate those tax reductions, those marginal rate income tax reductions, so they take effect immediately. If, as the President said, it is a good idea to do it in 2 years, it is an even better idea to do it now when we need that money in our pockets to invest so our businesses can create jobs and help with economic growth.

The first point of the President's plan is to take those tax breaks on the income tax marginal rates for each of the brackets we were reducing, and reduce them this year rather than waiting 2 years from now. It makes great economic sense. It will help families, it will help small businesses, and it will enable those businesses to take that money that is being saved and invest it in new jobs and in new business.

The second feature of the President's plan is to eliminate something very unfair in the current Tax Code. As a matter of fact, the United States is second only to Japan in having the worst possible tax policy on corporate dividends. Only one country in the world taxes dividends more than the United States: Japan. Every other country in the world that has developed economies has a much lower tax rate on dividends. So we have put ourselves at a competitive disadvantage with all of these other countries in the world. The reason we have such a disadvantage is because we do not just have one tax on corporate dividends; we repeat the tax. We tax the corporation the first time around when the income is earned, and as soon as they pay the dividends out to the shareholders, we tax it again. So it is a double taxation. No wonder our rate is so high. It is 70 percent.

As I said, only one country in the world, Japan, which is having huge economic difficulties at the current time, has a worse tax rate on dividends than we do. So the President logically says, let's get rid of that double taxation. The way he chose to do it was to

repeal the tax on the dividends that are earned by American citizens, investors. The corporation still pays the tax, but it is not taxed the second time around.

There are many advantages to doing it that way: First, it really helps the senior citizens in this country who derive a lot of their income from this dividend income. Secondly, it really helps to spur economic growth because not only will the dividends then be used for reinvestment into business, but it also helps the stock market generally by infusing capital back into the stock market. The economists we have talked to all make the point that it is not just the corporations that choose to issue dividends that will benefit from this, and their taxpayers, but it is all of the stocks because of the general increase in the value of equities. I think we have seen that in the way the market has responded to the President's proposal.

A third side benefit of this elimination of the double tax of dividends is the impact it will have on corporate governance. We all know the problem that was revealed over the course of the last couple of years about certain corporations, not corporations that were paying dividends but corporations that were putting money into the hands of their executives, in some cases in a very bad way. Fortunately, the President cracked down hard on them, as did the Congress, with the Sarbanes-Oxley legislation. The idea is to create transparency, to let the stockholders know what is going on in corporations, and to give them an incentive not to create more debt but to finance their expansion through equity; that is to say, through offering stock to the public, which the public then buys, the money then enabling the corporation to invest in expansion of the business, hiring more people, for example, rather than going to the bank to borrow the money to do that.

Today, our Tax Code gives the incentive to go borrow because corporations get to deduct the interest on the money they borrow. That is the way corporations treat that when they pay the income tax. We need to give them at least an equal incentive and perhaps a greater incentive to finance their corporate expansion not through borrowing but, rather, through the issuance of stock, which then Americans can acquire.

What is one way to do that? By ensuring that if they pay dividends on that stock, the purchasers of the stock are not going to have to pay a tax on the dividends they receive. It is a way of providing an incentive for the corporations to finance their expansion that way.

For all of these reasons, the economists we have talked to are pretty clear that eliminating the double taxation on dividends would provide a real spurt in investment in business, would enable the businesses to expand, would create something like 500,000 jobs this year, 1.4 million jobs next year. That is real job creation.